

Company Registration No. 3743194

Empresaria Group PLC

Report and Financial Statements

31 December 2005



Empresaria Group PLC

Report and financial statements 2005

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Empresaria Group PLC

Officers and professional advisers

DIRECTORS

M W R Hunt
N C Hall-Palmer
A V Martin
T J D Sheffield
P Freer

SECRETARY

N C Hall-Palmer

REGISTERED OFFICE

1 Peveril Court
6-8 London Road
Crawley
RH10 8JE

BANKERS

HSBC Bank plc
P O Box 120
49 Corn Street
Bristol
BS99 7SP

ADVISERS

Bridgewell Securities Limited
Old Change House
128 Queen Victoria Street
London
EC4V 4BJ

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Crawley

Empresaria Group PLC

Financial highlights

Overview of Performance for 2005

£ 000's	2005	2004	2003	2002	2001
Turnover	54,060	45,430	29,367	22,902	18,938
Gross Profit	15,393	13,141	10,589	8,603	8,273
Total Operating Profit	1,914	1,067	817	709	732
Adjusted Operating Profit *	2,532	1,715	1,234	927	527
Adjusted Profit Before Tax *	2,225	1,390	1,113	830	487
Basic Earnings per share (pence)	3.12	1.38	1.85	0.4	1.1
Adjusted Earnings per share (pence) *	5.7	4.2	3.9	2.8	1.1
Dividend per share (pence)	0.45	0.40	0.375	0.25	0

* Figures based on underlying profits excluding goodwill amortisation and exceptional costs. See reconciliation on page 43. In 2005 there were no exceptional costs.

Headlines

- Revenues of £54m (2004: £45.4m) up 19%.
- Gross profit of £15.4m (2004: £13.1m) up 17%
- Profit before tax of £1.6m (2004: £0.7m) up 129%
- Adjusted profit before tax* of £2.23m (2004: £1.39m) up 60%
- Earnings per share of 3.12p (2004: 1.38p) up 121%
- Adjusted earnings per share* 5.7p (2005 : 4.2p) up 36%
- Adjusted operating profit on revenues 4.7% (2004: 3.8%) up 24%
- Adjusted operating profit on gross profit 16.4% (2004: 13%) up 26%
- Operating cash inflow £2.5m (2004: £2m) up 25%
- Cash at bank at year end £2.4m (2004: £2.9m)
- Net debt at year end £2.4m (2004: £1.6m)
- Proposed dividend of 0.45p (2004: 0.4p) up 12.5%

Operational highlights

- Growth and development of existing businesses.
- Entry into new markets: US, Australia, Japan, China, Indonesia and Thailand as well as more recent investment in Eastern Europe.
- Start up operations in Japan and US exceeding expectations.
- Board strengthened with the appointment of Penny Freer, as a non-executive director.

Empresaria Group PLC

Chairman and Chief Executive's statement

Chairman's Statement

Overview 2005

The year 2005 was a year of continued growth for Empresaria in the UK and of specific development focus abroad in line with our strategy to develop an international specialist staffing group with revenues distributed across a range of economies, emerging staffing markets and industry sectors. The core UK business continues to perform strongly and new businesses started or acquired during the course of 2005 exceeded expectations. The Group has made encouraging initial progress in obtaining access to new markets which is expected to accelerate during 2006.

Financial performance

Revenues for the year ended 31 December 2005 increased by 19% to £54m and net fee income (gross profit) increased 17% to £15.4m. A combination of rising revenues, increased operating efficiencies and reduced start up costs resulted in a growth in profit before tax (before goodwill amortisation and exceptionals) to £2.23m from £1.39m, a rise of 60%. Operating cash inflows were up 25% to £2.5m and, despite investing cash of £1.6 m on acquisitions and start up operations during the year, cash at bank at the year end was £2.4m, only £0.5m down on 2004.

Adjusted earnings per share (before amortisation of goodwill and exceptionals) increased by 36% to 5.7p (2004: 4.2p) with basic earnings per share (after deducting amortisation of goodwill and exceptionals) increasing 121% to 3.1p (2004: 1.4p).

Corporate Development

Empresaria has achieved a track record of consistent revenue and earnings growth over the course of its history since the late 1990s. The Group has adopted a strategy of balanced growth (combining organic, start up and acquisitive growth) with investment risk management (through diversifying across different specialist staffing market sectors). Central to this dual growth/risk management approach has been the philosophy of "management equity", the concept that key, entrepreneurial people are attracted and motivated by the opportunity to acquire a meaningful stake in the companies they run. Each of the 26 operating companies in the Group is run by managers holding significant stakes in their companies or alternatively stakes in Empresaria itself.

This philosophy extends to Group structure, which is totally de-centralised with autonomous managers running self-contained companies, enjoying high levels of commercial freedom combined with strict financial discipline and controls. Empresaria head office is kept deliberately small, focussing on financial management and Group development. It is the nature of this structure that creates increased operational economies of scale at the centre as the Group grows and enables the consequent underlying growth in net profit margins.

As reported last year, the Group coincided its transfer from OFEX to AiM in November 2004 with an extension of existing strategy to include operations overseas. The rationale for this shift in development focus is a combination of gaining access to economies and staffing markets that are enjoying high growth rates and extending the risk management concept of diversification one stage further. It is the objective of the Board and the strategy of the Group to reposition Empresaria over the coming years as a truly international, growing specialist staffing business with revenues and profits broadly distributed across established and emerging staffing markets. With over £50m revenues being generated in the UK and with a continued focus on growing Empresaria's UK businesses, such a transformation requires accelerated investment in overseas markets.

2005 was a year in which a number of encouraging first steps were made. Gaining access to the high growth Japanese staffing market is already beginning to produce dividends with the Group's two Japanese operations expected to generate substantial organic growth in revenue and profit over the coming years. As well as Japan, the Group has made small but significant investments in the US, China, Australia, Indonesia and Thailand. Perhaps even more encouraging than these first investment steps made overseas in 2005 is the progress made during that time in investigating new markets, exploring and assessing in which countries the Empresaria approach might best succeed and establishing business networks that will enable the Group to take advantage of new opportunities as they emerge in the future. At the beginning of 2006 the Group announced further investment in the Czech Republic and Slovakia.

Empresaria Group PLC

Chairman and Chief Executive's statement (continued)

The Board

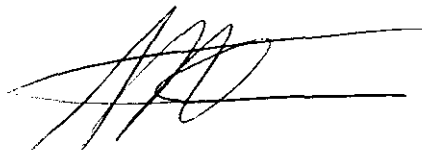
The Empresaria board was strengthened in the year by the appointment of Penny Freer as non-executive director. Penny was formerly Head of Equities in London for Robert W Baird, the US Investment bank. The Board is now balanced with two executive directors, two non-executive directors and with myself as Chairman.

Empresaria's people

Empresaria is a growing and rapidly changing organisation. This in itself creates pressures and challenges on all those involved in driving both growth and change across the entire organisation. We wish to extend our appreciation for all their hard work and success.

Current trading and prospects

The economic forecasts for the markets where the Group operates are generally positive. The Group has started 2006 strongly in line with expectations. Empresaria's UK businesses currently perform ahead of 2005. The Group's overseas companies, particularly in Japan, have made an encouraging start to the year and it is anticipated that the share of Group revenues attributable to international operations is expected to rise sharply in 2006. The Board is exploring a number of opportunities in industry sectors and countries where the Group does not currently operate. Consequently, the Board anticipates a year of further significant progress towards achieving its objectives and developing a broad based international specialist staffing group.



Tony Martin

Chairman

21 April 2006

Empresaria Group PLC

Chairman and Chief Executive's statement (continued)

Chief Executive's Review

Growth

Our focus has been and remains on business growth combined with maintaining earnings stability and consistency through managing business risk. Over the past four years revenues have increased by an average of 30% annually, adjusted profit before tax by 46% and EPS by 50% on the same basis. We achieve this growth through a balance between organic growth, start ups and acquisitions.

Organic growth

Empresaria backs up its commitment to organic growth with financial priority given to developing existing operations where market conditions allow. The financial planning process ties into each company's strategic growth plans with cash generated by each business being considered first for the re-investment in new staff or expansion into new locations or markets. Illustrations of this approach being applied in practice include TRB (Creative and Design staffing) opening up a new office in Manchester, FastTrack (Construction and Property Services) developing new divisions covering the Security and Access Systems industries and Greycoat Placements (Domestic staffing) establishing a new international section focussing primarily on the US market.

Start ups and acquisitions

Following the decision to concentrate development efforts in international markets, corporate activity has centred on markets and territories where we believe we are able to achieve significant and sustainable long term growth. During the course of 2005 we have made the following investments overseas:

US – Gerard Stewart: Gerard Stewart is an extension of an existing UK brand within the "recruitment to recruitment" sector. The company was set up in Atlanta to provide staffing services to the US staffing industry. Empresaria acquired an initial 40% stake with an option to acquire a further 20% within three years. The new company has had a strong start and is expected to contribute to earnings in 2006.

Australia, Japan, Indonesia and Thailand – Monroe Consulting Group. Monroe Consulting Group operates directly in Australia and Japan and through joint venture arrangements in Indonesia and Thailand. Empresaria acquired a 60% stake in Monroe Consulting in December 2005, too late in the year to have a material impact on group financial performance. The company focuses on a number of specialist markets, predominantly the IT, financial services and call centre industries. As well as providing temporary and permanent staffing services it offers clients a range of managed service solutions. The investment by Empresaria took the form primarily of a new share issue to pay down existing Monroe debt and fund future expansion.

China – Aston HR Consulting. Aston HR Consulting was formed in December 2005 to acquire, alongside an experienced management team, an interest in a small existing HR outsourcing company based in Shanghai, Tian Yun Human Resources Co. Ltd. In the months following that initial investment we have managed to secure Government licences to provide a combination of staffing, training and HR outsourcing services within China and are now targeting new business with particular focus on the IT, financial services and FMCG sectors.

Czech Republic and Slovakia – GIT Consult. We announced, following the year end, that we had acquired a 60% stake in GIT, a market leading Prague based IT staffing company with a second office in Bratislava. The investment made was a combination of consideration for acquiring shares and injection of development and working capital to fund growth.

In addition we have continued to apply resource to developing the UK based businesses. In February 2005 we completed the acquisition of a 65% stake in TRB, a temporary and permanent staffing company operating within the creative and design market place under the MacPeople, WebPeople and CreativePeople brands. TRB has fitted well within the Group, has made a significant profit contribution in its first year as an Empresaria company and demonstrated the ambition and capability to generate strong organic growth.

Empresaria Group PLC

Chairman and Chief Executive's statement (continued)

Sector overview

The development of overseas operations followed the move to AiM in November 2004. Since that date we have made significant progress with the new overseas additions to the Group and expect them to make significant contribution to Group revenues in 2006, perhaps as high as 20%. If we make further acquisitions or invest in further start up operations then this percentage figure is expected to rise. It is therefore our intention in future years to report along geographical territory lines instead of by market sector. As the absolute percentage revenue contribution from overseas in 2005 was less than 10% this report for 2005 will focus on market sectors in what was still a predominantly UK based operation.

Construction and Property Services

Revenues in 2005 were £27.5m (2004: £24.8m) a rise of 11%. This encouraging performance was driven by strong organic growth within our FastTrack brand, with FastTrack management taking advantage of positive market conditions to increase fee earner headcount and develop new products (including new divisions to focus on the Security and Access Control industries). FastTrack is one of the top tier sector brands within the London area and is well placed to take advantage of the imminent development work planned in advance of the 2012 London Olympics.

Specialist Brands

Revenues in 2005 were £7.8m (2004: £3.1m) a rise of 152%. The increase was partly generated by the revenue contribution of TRB, acquired in February, but masks strong organic growth of 25% across the established companies within this reporting sector.

Greycoat Placements continues to consolidate its position as the UK's principal domestic recruitment brand, and has increased headcount to take advantage of increased demand for its services and developed its own training operation, Greycoat Academy, to diversify revenue streams as well as increase candidate flow.

McCall (recruitment to the recruitment industry) took advantage of positive trading conditions within the UK staffing sector and established new revenue streams in the areas of senior management recruitment and introductory brokerage for the sale and purchase of UK staffing companies.

Supply Chain

Revenues in 2005 were flat at £6.9m (2004 - £6.9m). DriveLink, our temporary driver staffing business continued to experience challenging market conditions. It continued its branch network development, acquiring More Driving, a small one branch operation based in Bournemouth as well as increasing headcount in its Northern branches. As the business increases its operating footprint across the UK the market opportunities and operating efficiencies are expected to increase, resulting in improved trading performance.

Public Sector

Revenues in 2005 were flat at £6.7m (2004 - £6.7m). Our Public Sector businesses experienced a year of two halves. The first half of 2005, as reported in September, was much stronger than expected. However, the tightening of the market in the second half, particularly within healthcare staffing, was pronounced and resulted in underperformance towards the end of the year. The brake placed on Government spending, particularly within the NHS, has created a degree of market uncertainty although there are still widespread opportunities for growth in this sector. It is encouraging to note that Healthcare First Allied Healthcare recruitment has recently been awarded a place on the NHS contract for allied healthcare professionals.

Empresaria Group PLC

Chairman and Chief Executive's statement (continued)

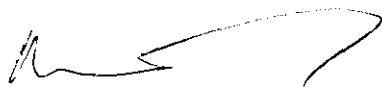
Sector overview (continued)

Financial Services

Revenues in 2005 were £3.6m (2004: £3.7m) a fall of 3%. Our Financial Services businesses experienced a degree of disruption and change in 2005 with management changes within both our banking and insurance staffing businesses. LMa (banking and asset management recruitment) failed to take advantage of positive market conditions. The issue was addressed and we have seen a rapid turnaround and improvement in trading performance in the first quarter of 2006. We expect a better result in the current year.

International

Revenues in 2005 were £1.2m (2004: £nil), the first year of the Group's international development plan. The large proportion of these revenues were generated by Skillhouse Staffing in Japan (IT and office support) following that company becoming a subsidiary of the group. The company, which commenced trading as a start up company at the end of 2004, has exceeded expectations both in terms of growth rates and absolute performance. The Japanese economy appears to be improving rapidly after many years of low or negative growth and the staffing market continues to outpace economic growth. We expect continued strong performance from our operations in Japan during 2006.



Miles Hunt

Chief Executive

21 April 2006

Empresaria Group PLC

International Businesses - An Overview

Skillhouse Staffing Solutions, Tokyo, Japan

The Japanese staffing market has been one of the most buoyant and fastest growing over the last 5 years following the introduction of more flexible working practices and regulatory frameworks introduced as a consequence of the Japanese economic downturn of the 1990s.

Skillhouse commenced trading as a start-up company in December 2004 providing Information Technology and Administrative staffing solutions to both Japanese and International companies within a range of industries and markets within Japan.

The company has enjoyed immediate success and rapid growth, focusing on providing its candidates and working staff with the best opportunities, care, support and market leading benefits. This ensures that it attracts the best candidates, retains them and advances their careers. The natural by-product of these efforts is satisfied, loyal and enthusiastic clients.

Mark Smith

President

Skillhouse Staffing Solutions KK

Empresaria Group PLC

International Businesses - An Overview

Aston HR Consulting – Shanghai, China

The economic growth experienced by China has led to massive inward investment and significant demand for skilled staff, particularly those with cultural understanding and language skills. Many Chinese cities have introduced preferential policies to attract the right talent. Multinational corporations expanding into China face the same challenge – how to attract and retain the right people.

As a consequence, recent years have seen rapid development of China's human resources market and staffing industry. Shanghai, for example, now has more than 500 staffing companies (up from 113 in 2001) servicing some 830,000 companies, institutions and government bodies, and in turn supporting employment for over 12 million people. Reflecting Shanghai's rapid development, the local staffing market has grown to RMB 93bn (£6bn) in 2005 (RMB70bn temp/outsourcing, RMB15bn perm recruitment and RMB8bn others).

Aston HR Consulting, an Empresaria company, officially opened its Shanghai operations in March 2006. It is one of the few companies licensed to operate an Executive Recruitment, HR Outsourcing and Professional Training business within China. The company offers a comprehensive HR consulting service.

Juliet Newett

Managing Director

Aston HR Consulting

Empresaria Group PLC

International Businesses - An Overview

Monroe Consulting Group – Sydney, Australia

According to the Australian staffing association (RCSA), the Australian staffing market exceeded Aus \$10bn in 2004. The market is expected to grow by 6-10% in 2006 with the biggest issue facing clients identified as an increasing skill shortage. Specialist staffing firms are clearly identified as top performers, with their lower overheads and the ability to retain key clients, often exclusively. According to a study by management consultancy MDB Group, these businesses benefit from enhanced credibility created through demonstrating specialist market knowledge.

Monroe Consulting was formed in 2000 and became part of the Empresaria Group in December 2005. It employs over 60 people throughout its Australasian office network, headquartered in Sydney.

Monroe provides a range of specialist staffing solutions with specific focus on the IT&T, accounting, banking, sales and call centre industries.

Andrew Wall

Managing Director

Monroe Consulting Group

Empresaria Group PLC

Financial review

Financial Performance

Turnover

Group turnover rose by 19% in the year.

Gross margin

The Group achieved a 28% gross margin in the year, compared with 29% in 2004. The reduction in gross margin reflects our stated aim of growing our temporary and contract revenue contribution. In 2005 55% of the Group's gross margin was generated by the temporary and contract businesses compared with 51% in 2004. As the contribution to gross margin from the temporary and contracts businesses increases, the overall gross margin percentage is expected to reduce further in the coming years.

Profitability

The Group uses adjusted profit before taxation (PBT) (as defined and calculated on page 43) as its principal measure of operating performance. Profits before tax are adjusted to remove the effects of goodwill amortisation and any exceptional costs or gains incurred during the year. There were no exceptional costs in 2005. A reconciliation of the statutory and adjusted profit is provided on page 43.

Adjusted PBT for the year rose by 60% to £2.23m (2004: £1.39m) for the whole Group. Adjusted PBT from continuing operations rose by 52% to £2.23m (2004: £1.47m).

The increase in the Group's operating margins is particularly encouraging. Adjusted operating margin on revenues grew by 24% to 4.7% (2004: 3.8%) and adjusted operating margin on net fee income grew by 26% to 16.4% (2004: 13.0%).

This reflects improved productivity from our existing businesses, as well as the performance of acquired businesses.

Taxation

The effective rate of corporation tax to headline profit before tax has reduced from 45% in 2004 to 38% in 2005. The decrease is mainly due to reduction in losses, on which no corporation tax relief could be obtained. These losses remain unrelieved due to the group's share ownership structure, which leaves several companies outside the tax group. The effective rate of tax to adjusted profit before tax was 35% (2004: 31%).

Deferred taxation has been provided on timing differences where required by FRS 19.

Minority interests

The Group's share of profit after tax rose from 57% in 2004 to 74% in 2005, reflecting a greater proportion of profits made in those more mature operating companies with lower minority interests.

Earnings per share

Earnings per share, adjusted for the effects of goodwill amortisation and exceptional costs, were 5.7 pence, an increase of 36% over 2004 (4.2 pence).

The Group's weighted average issued share capital, as used to calculate EPS, increased by 29% during the year, as a result of the full year effect of the issue of shares when the Group listed on AiM in late 2004, together with shares issued during the course of the year to acquire new operations or increases the Group's holding in existing operations.

Empresaria Group PLC

Financial review (continued)

Dividends

The Directors have recommended the payment of a dividend of 0.45 pence per share, an increase of 12.5% over 2004 (0.4 pence).

Acquisitions and disposals

Acquisitions

During the year the Group acquired three businesses and significantly increased its shareholding in three existing operations, as detailed below:

Purchase of The Recruitment Business ("TRB")

In February 2005, the Group acquired a 65% interest in TRB, a company specialising in the placement of temporary and permanent staff for roles including graphic and web designers, copywriters, typographers, art workers, Mac operators, studio managers and print buyers. The initial consideration was £1.3 million, which has been satisfied by £950,000 in cash and the balance in shares in Empresaria. The initial consideration included a payment, on a pound for pound basis, of £300,000 for the net cash within the business. Deferred consideration of up to £725,000 may be payable based on the operating profit and cash position of TRB in the two year period to 31 December 2006.

Purchase of More Driving Limited

In July 2005, the Group completed the acquisition of a 66% shareholding in More Driving Limited, a company based in Bournemouth providing contract drivers to the transport industry, for a consideration of £300,000, of which £260,000 was satisfied in cash and £40,000 satisfied by the issue of 63,191 ordinary shares in Empresaria Group plc.

Purchase of Monroe Consulting Group

In December 2005, the Group completed an investment of AU\$1.8m (£775,000) in two connected businesses, Monroe Consulting Group Pty Ltd ("MCG") and Monroe Consulting Group kk ("MCG KK"), acquiring a 60% shareholding in each company through the issue of new shares. The existing management team retains the remaining shareholding.

Further deferred consideration of up to £850,000 may be payable in cash or shares at the Group's option based on the financial performance of the businesses in 2006 and 2007.

Purchase of minority share holdings

In July 2005, the Group acquired shares from the minority shareholders of Greycoat Placements Limited and Social Work Associates Limited by issuing an aggregate 937,048 shares at a value of £595,000. Following the transaction, the Group held 82% of Greycoat Placements Limited and 100% of Social Work Associates Limited.

In September 2005 the Group increased its effective interest in its Japanese operation, Skillhouse Staffing Solutions K.K., to 90% acquiring the outstanding 50% of the intermediate holding company, Interim Management International, from the Chairman Mr Tony Martin for a consideration of £345,000, paid in shares.

Post year end purchases

Following the end of the year, the Group purchased 60% of the share capital of Empresaria GIT Holdings Limited ("GIT") for an initial cash consideration of £90,000.

GIT operates two small businesses in the Czech Republic and Slovakia, mainly supplying IT staff.

The Group also acquired, through a special purpose vehicle, from SSR Personnel Services its operating division providing staffing services in the UK public sector for an initial cash consideration of £350,000.

Empresaria Group PLC

Financial review (continued)

Intangible assets

The carrying value of intangible assets in the Group Balance Sheet increased by £3.2m, from £4.8m to £8.0m. The major constituents of this increase arose from the acquisition of the Recruitment Businesses Limited, More Driving Limited and Monroe Consulting Group, together with the increase in the Group's shareholding in the three existing operations mentioned above.

Goodwill is amortised over its useful economic life up to a maximum period of twenty years. The Directors regularly review the carrying value of goodwill for impairment.

Treasury Management

Cash Flow

Net cash of £2.5m (2004 – £2m) was generated from operating activities during the year. After returns on investments and servicing of finance and taxation flows of £1m, the surplus was reduced to £1.5m.

The Group spent £2m of cash on acquisitions and capital expenditure, resulting in a cash outflow before financing of £0.6m.

In the year, the Group acquired further invoice discounting liabilities of £0.3m, resulting in an overall increase in net debt at the year end of £0.8m to £2.4m (2004: £1.6m).

Cash Management

The Group maintains a range of facilities appropriate to the funding of its strategy of expansion by a mixture of organic growth and acquisition.

At the year end, the Group's financing arrangements comprised:

- cash at bank of £2.4m;
- an unutilised overdraft facility of £1.25m;
- outstanding term loans of £1.6m repayable over the next three years; and
- amounts owed in respect of factoring and invoice discounting agreements of £3.3m.

The Group banks with HSBC Bank plc.



Nick Hall-Palmer
Group Finance Director

21 April 2006

Empresaria Group PLC

Corporate governance

Corporate Governance

The Board is committed to ensuring that sound principles of corporate governance are applied throughout the Group and is structuring its approach to achieve a position commensurate with the size of the business and its status as an AiM listed company.

As the Group increases the size and complexity of its operations, the Group adapts its approach to Corporate Governance. Whilst there is no requirement to provide corporate governance disclosures due to the company's AiM listed status, the major elements of the Group's approach are listed below:

Systems of internal control and its effectiveness

The directors acknowledge their responsibilities for the Group's system of internal control. Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss. As in previous years the following key controls existed throughout the year:

- Empresaria Group plc's operations are structured into profit centres. Annual budgets are prepared for each profit centre and approved by the Board of Directors. The performance of each profit centre against budget is monitored on a monthly basis. Significant variances against budget are thoroughly investigated and corrective action taken.
- The Board of Directors meets every two months to review the performance of the Group. Members of the Board of Directors meet formally with operating company management on a regular basis to review business performance and to address operational and strategic issues.
- There existed within the Group throughout the year under review appropriate levels of delegated authority covering the key areas of the Group's operations.

Last year the Group reported on the implementation of its risk management initiative at Group level and its plans to embed appropriate risk management procedures at operating company level. In 2005 and early 2006 the Group has made significant progress in achieving this. With assistance from the centre, risk self assessments have been performed in the majority of our UK operating companies and measures to manage the key risks implemented. In 2006 it is our goal to complete the process in all UK operations and extend it to our larger overseas companies.

The Group continues to operate other initiatives to enable subsidiary company management to identify and manage their risk effectively, using seminars and forums. In addition the Group has implemented an intranet to allow companies to share information and good practice more easily. This tool will be developed progressively to meet the changing needs of the Group's operations.

Improvements will continue to be made to embed internal control and risk management further into the operations of the business and to deal with areas of importance which come to management and the Board's attention.

Board of Directors

The Group has always sought to maintain a balance between Executive and Non-executive Directors in keeping with its size. This has resulted in a Board comprising two Executive and at least two Non-Executive Directors.

In last year's annual review, the Board recognised that it lacked a truly independent non-executive director and is delighted to report that Penny Freer joined the Board in December 2005.

Penny has been involved in small and mid-cap investment banking for almost 20 years, most recently as Head of Equities in London for Robert W Baird, the US investment bank. Penny was previously responsible for Credit Lyonnais' small and mid-cap equities activities.

Penny has agreed to chair the Empresaria Group remuneration committee.

Empresaria Group PLC

Corporate governance (continued)

Board Committees

The Group has the following Committees in operation.

Audit Committee

The Audit Committee is chaired by a Non Executive Director, Tim Sheffield and meets at least once a year to consider matters relating to accounting, internal control and the statutory audit. Tony Martin is also a member of the Audit Committee.

The Committee meets the external auditors without the presence of the Group Finance Director at least twice each year.

The Group does not currently operate an internal audit function as the directors do not believe that, given the current size and complexity of the Group, the cost would deliver appropriate benefits.

Remuneration Committee

The Remuneration Committee is chaired by a Non Executive Director, Penny Freer, who is joined on the Committee by the Group's other Non Executive Director, Tim Sheffield. The remuneration of the Executive Directors is reviewed annually and approved by the Committee Chairman.

Going concern

The directors have formed the judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going-concern basis in preparing the financial statements.



N Hall-Palmer

Group Finance Director

21 April 2006

Empresaria Group PLC

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the group is the provision of staffing services. The principal activities of the company were those of investing in subsidiaries, acting as a recruitment company and providing management services.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

This is covered by the Chairman and Chief Executive's statement.

RESULTS AND DIVIDENDS

The results for the year are set out on page 20. The directors recommend the payment of a dividend of 0.45p per share (2004: 0.4p). If approved, the dividends will be paid on 21 August 2006 to members registered on 21 July 2006.

DIRECTORS

The following directors have held office since 1 January 2005 (or date of appointment):

Executive Directors

M W R Hunt
N C Hall-Palmer

Non-Executive Directors

A V Martin
T J D Sheffield
P Freer (appointed 13 December 2005)

Financial Instruments

The group's policy and exposure to derivatives and other financial instruments is disclosed in note 24.

DIRECTORS' INTERESTS

The beneficial interests of the directors serving at the year end in the shares of the company were as stated below:

	Ordinary shares of 5p each	
	31 December 2005 No.	1 January 2005 No.
M W R Hunt	2,837,571	2,637,569
T J D Sheffield	2,254,307	2,254,308
A V Martin	1,652,807	1,126,090
N C Hall-Palmer	201,647	196,006

The interests of M W R Hunt include 446,700 (2004 – 446,700) shares by virtue of the shares held by his wife.

On 6 January 2006 AV Martin acquired a further 958,041 shares, taking his total shareholding to 2,610,848.

On 20 January 2006 TJD Sheffield sold 205,000 shares, taking his total shareholding to 2,049,307.

The interests of directors in other group companies are disclosed in note 25.

Empresaria Group PLC

Directors' report (continued)

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

The company does not follow any specified code or standard on payment practice. However, it is the company's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the company's policy to abide by these terms. Suppliers are paid on average within 30 (2004 – 30) days.

POST BALANCE SHEET EVENT

Following the end of the year, the Group purchased 60% of the share capital of Empresaria GIT Holdings Limited ("GIT") for an initial cash consideration of £90,000.

GIT operates two small businesses in the Czech Republic and Slovakia, mainly supplying IT staff.

The Group also acquired, through a special purpose vehicle, from SSR Personnel Services its operating division providing staffing services in the UK public sector for an initial cash consideration of £350,000.

INDEPENDENT AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



MWR Hunt
Director

21 April 2006

Empresaria Group PLC

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Empresaria Group PLC

We have audited the financial statements of Empresaria Group PLC for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and its supporting notes as well as the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of the affairs of the company and the group as at 31 December 2005 and of the profit of the group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

DeLoitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Crawley

21 April 2006

Empresaria Group PLC

Consolidated profit and loss account Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
TURNOVER	1,2		
Existing operations	3	48,342	28,730
Acquisitions		5,718	14,991
		<hr/>	<hr/>
Continuing operations		54,060	43,721
Discontinued operations		-	1,709
		<hr/>	<hr/>
Total turnover	3	54,060	45,430
Cost of sales	3	(38,667)	(32,289)
		<hr/>	<hr/>
GROSS PROFIT		15,393	13,141
Administrative expenses - normal		(13,479)	(11,771)
- exceptional	6	-	(303)
		<hr/>	<hr/>
Total administrative expenses	3	(13,479)	(12,074)
		<hr/>	<hr/>
OPERATING PROFIT	6		
Existing operations		1,217	1,246
Acquisitions	3	697	-
		<hr/>	<hr/>
Continuing operations		1,914	1,246
Discontinued operations		-	(179)
		<hr/>	<hr/>
Total operating profit	3	1,914	1,067
Share of losses in Associated companies	12	(44)	-
		<hr/>	<hr/>
		1,870	1,067
Interest payable and similar charges	7	(263)	(325)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,607	742
Tax on profit on ordinary activities	8	(726)	(350)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		881	392
Equity minority interests		(233)	(169)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES ATTRIBUTABLE TO THE MEMBERS OF EMPRESARIA GROUP PLC AND TRANSFERRED TO RESERVES	17	648	223
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (pence)			
Basic and diluted	21	3.12	1.38
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains and losses for the current and preceding years other than as stated above. Accordingly no statement of total recognised gains and losses is presented.

Following the adoption of FRS21, dividends have been restated to be recorded when approved.

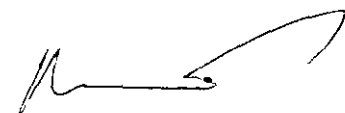
Empresaria Group PLC

Consolidated balance sheet 31 December 2005

	Note	2005 £'000	2004 £'000 (Restated)
FIXED ASSETS			
Intangible assets	10	7,981	4,836
Tangible assets	11	535	284
Investment in associates	12	39	145
		<u>8,555</u>	<u>5,265</u>
CURRENT ASSETS			
Debtors	13	10,169	8,328
Cash at bank and in hand		2,405	2,921
		<u>12,574</u>	<u>11,249</u>
CREDITORS: amounts falling due within one year	14	<u>(10,992)</u>	<u>(7,892)</u>
NET CURRENT ASSETS		<u>1,582</u>	<u>3,357</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,137	8,622
CREDITORS: amounts falling due after more than one year	15	<u>(1,449)</u>	<u>(1,669)</u>
NET ASSETS		<u>8,688</u>	<u>6,953</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,113	997
Other reserve	17	1,539	991
Share premium account	17	3,822	2,895
Profit and loss account	17	1,447	1,189
		<u>7,921</u>	<u>6,072</u>
EQUITY SHAREHOLDERS' FUNDS	18	7,921	6,072
Equity minority interests		767	881
		<u>8,688</u>	<u>6,953</u>

These financial statements were approved by the Board of Directors on 21 April 2006.

Signed on behalf of the Board of Directors



M W R Hunt
Director



N C Hall-Palmer
Director

Empresaria Group PLC

Company balance sheet 31 December 2005

	Note	2005 £'000	2004 £'000 (Restated)
FIXED ASSETS			
Tangible assets	11	9	20
Investments	12	9,408	5,007
		<u>9,417</u>	<u>5,027</u>
CURRENT ASSETS			
Debtors (including amounts falling due after more than one year of £811,000 (2004 - £700,000))	13	2,025	2,143
Cash at bank and in hand		-	1,162
		<u>2,025</u>	<u>3,305</u>
CREDITORS: amounts falling due Within one year	14	<u>(3,030)</u>	<u>(1,513)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,005)</u>	<u>1,792</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,412	6,819
CREDITORS: amounts falling due after more than one year	15	<u>(1,329)</u>	<u>(1,549)</u>
NET ASSETS		<u>7,083</u>	<u>5,270</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,113	997
Other reserves	17	1,539	991
Share premium account	17	3,822	2,895
Profit and loss account	17	609	387
EQUITY SHAREHOLDERS' FUNDS	18	<u>7,083</u>	<u>5,270</u>

These financial statements were approved by the Board of Directors on 21 April 2006.

Signed on behalf of the Board of Directors



M W R Hunt
Director



N C Hall-Palmer
Director

Empresaria Group PLC

Consolidated cash flow statement Year ended 31 December 2005

	Notes	£'000	2005 £'000	£'000	2004 £'000
Net cash inflow from operating activities	A		2,500		2,027
Returns on investments and servicing of finance					
Interest paid		(263)		(325)	
Dividends paid to minority shareholders in subsidiary undertakings		(196)		(78)	
Net cash outflow from returns on investments and servicing of finance			(459)		(403)
Taxation – corporation tax paid			(586)		(297)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(413)		(206)	
Net cash outflow for capital expenditure			(413)		(206)
Acquisitions					
Purchase of businesses	D	(1,993)		(2,256)	
Cash acquired with subsidiary		462		-	
Investment in associates		(21)		-	
Net cash outflow from acquisitions			(1,552)		(2,256)
Equity dividends paid			(84)		(59)
Net cash outflow before financing			(594)		(1,194)
Financing					
Issue of new shares		-		2,257	
Raising of long term loans		-		1,000	
Repayment of loan		(238)		(215)	
Increase in invoice discounting balances		316		67	
Capital elements of hire purchase contracts		-		(2)	
Net cash inflow from financing			78		3,107
(Decrease)/increase in cash in the year	B		(516)		1,913

Empresaria Group PLC

Notes to the consolidated cash flow statement Year ended 31 December 2005

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Operating profit	1,914	1,067
Depreciation of tangible assets	262	272
Loss on disposal of tangible fixed assets	73	-
Amortisation of goodwill	618	346
Increase in debtors	(433)	(1,218)
Increase in creditors	66	1,560
Net cash inflow from operating activities	<u>2,500</u>	<u>2,027</u>

B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the year	(516)	1,913
Cash inflow from increase in debt	(78)	(850)
Change in net debt resulting from cash flows	(594)	1,063
Factoring debt acquired with subsidiary	(286)	(1,376)
Conversion and cancellation of loan stock	-	32
Total movement in net debt during the year	<u>(880)</u>	<u>(281)</u>
Opening net debt	(1,567)	(1,286)
Closing net debt	<u>(2,447)</u>	<u>(1,567)</u>

C. ANALYSIS OF NET DEBT

	1 January 2005 £'000	Cash flow £'000	Other non-cash changes £'000	31 December 2005 £'000
Cash at bank and in hand	2,921	(516)	-	2,405
Amounts owed to factors	(2,700)	(316)	(286)	(3,302)
Loans due within one year	(239)	14	-	(225)
Long term loans due after one year	(1,549)	224	-	(1,325)
	<u>(1,567)</u>	<u>(594)</u>	<u>(286)</u>	<u>(2,447)</u>

D. ACQUISITIONS AND DISCONTINUED OPERATIONS

Acquisitions during the year contributed £329,000 to the group's net operating cash flows, paid £10,000 in respect of returns on investments and servicing of finance and utilised £23,000 for capital expenditure. As part of the acquisitions the group acquired additional factored debts of £286,000 which is a significant non-cash transaction.

Discontinued operations contributed outflows of £nil (2004: £250,000) to the group's net operating cash flows, paid £ nil (2004: £63,000) in respect of returns on investments and servicing of finance and utilised £nil (2004: £39,000) for capital expenditure.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies which have been consistently applied throughout the current and preceding period except for the changes resulting from the implementation of FRS21 (events after the balance sheet date) are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2005. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group transactions and profits are eliminated fully on consolidation.

Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

Revenue Recognition

Permanent placement revenue is recognised at the point when the candidate commences employment.

Contract placement revenue is recognised on the basis of actual work performed in the relevant year based on timesheets submitted.

Goodwill

Positive and negative goodwill represent the difference between the cost of acquisition and the fair value of the separable net assets of the businesses acquired. Positive and negative goodwill are amortised through the profit and loss account in equal annual instalments over their estimated useful lives, which are between 10 and 20 years. The directors review the period of amortisation of goodwill on an annual basis. Where it is believed the carrying value of goodwill suffers any impairment, the fall in value is charged immediately to the profit and loss account.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold property	over the term of the lease
Fixtures, fittings and equipment	over one to two years
Motor vehicles	over five years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Associates

In the group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' profits less losses while the group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Foreign exchange

The results of overseas associates and subsidiaries are translated into sterling at the average rate of exchange ruling during the year. Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the year end. Exchange rate differences are dealt with through the profit and loss account.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

Pension costs charged to the profit and loss account relate to a defined contribution scheme. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account as they become due for payment.

Restatement of comparatives

Following changes to the Companies Act and the adoption of FRS21 (events after the balance sheet date) dividends are recorded in the period in which they are declared rather than appropriated from profits of a particular year. As a result comparative figures have been restated as follows.

Balance sheet	Group		Company	
	Proposed dividends £'000	Retained profit £'000	Proposed dividends £'000	Retained profit £'000
Year ended 31 December 2004				
As previously reported	80	1,109	80	307
Adoption of FRS21	(80)	80	(80)	80
As restated	-	1,189	-	387

Empresaria Group PLC

Notes to the financial statements

Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Restatement of comparatives (continued)

Profit and loss account	Group			Company		
	Retained profit £'000	Proposed Dividends £'000	Restated Retained profit £'000	Retained profit £'000	Proposed Dividends £'000	Restated Retained profit £'000
Year ended 31 December 2004						
As previously reported	223	80	143	258	80	178
Adoption of FRS21	-	(24)	24	-	(24)	24
As restated	<u>223</u>	<u>56</u>	<u>167</u>	<u>258</u>	<u>56</u>	<u>202</u>

The adoption of FRS21 has resulted in increasing retained earnings by £19,000 in the year ended 31 December 2003.

2. SEGMENTAL REPORTING

a) Group undertakings

The geographical analysis of turnover, operating profit and net assets is shown below:

	Year ended 31 December 2005			Year ended 31 December 2004		
	Turnover £'000	Profit before tax profit £'000	Net assets £'000	Turnover £'000	Profit before tax £'000	Net assets £'000
United Kingdom	52,841	1,544	9,204	45,430	1,067	6,953
Asia Pacific	1,219	63	(516)	-	-	-
	<u>54,060</u>	<u>1,607</u>	<u>8,688</u>	<u>45,430</u>	<u>1,067</u>	<u>6,953</u>

3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2005		2005	2004		2004
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	54,060	-	54,060	43,721	1,709	45,430
Cost of sales	(38,667)	-	(38,667)	(31,707)	(582)	(32,289)
Gross profit	15,393	-	15,393	12,014	1,127	13,141
Administrative expenses	(13,479)	-	(13,479)	(10,768)	(1,306)	(12,074)
Operating profit/(loss)	<u>1,914</u>	<u>-</u>	<u>1,914</u>	<u>1,246</u>	<u>(179)</u>	<u>1,067</u>

The amounts in 2005 for continuing operations include the following amounts in relation to acquisitions: turnover £5,718,000, cost of sales £(3,694,000), administrative expenses £(1,327,000) and operating profit £697,000

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

4. ACQUISITIONS

On 18 February 2005 the group completed the acquisition of 65% of the share capital of The Recruitment Business Limited, although the group had effective control from 1 January 2005. On 11 July 2005 the Group acquired 66% of the share capital of More Driving Limited. On 19 September 2005 the Group acquired an additional 45% of its associated company Skillhouse Staffing Solutions KK, taking its total holding to 90%. On 9 December 2005 The Group acquired, by subscription for new shares, 60% of the share capital of the Monroe Group of companies.

The following table sets out the assets acquired. No fair value adjustments were necessary following a preliminary review of the assets acquired stated at their book values.

	The Recruitment Business £'000	More Driving £'000	Skillhouse Staffing kk £'000	Monroe Consulting Group £'000
Fixed Assets				
Tangible fixed assets	2	1	82	38
Purchased goodwill	-	-	-	72
Preliminary goodwill	1,078	394	440	844
	<u>1,080</u>	<u>395</u>	<u>522</u>	<u>954</u>
Current assets				
Debtors	334	99	284	244
Cash	211	-	108	20
	<u>545</u>	<u>99</u>	<u>392</u>	<u>264</u>
Current liabilities	250	146	167	991
Long term liabilities	-	-	395	-
Net assets	<u>1,375</u>	<u>348</u>	<u>352</u>	<u>227</u>
Satisfied by				
Professional fees	75	48	7	227
Cash consideration	950	260	-	-
Shares in Empresaria Group plc	350	40	345	-
Total initial consideration	<u>1,375</u>	<u>348</u>	<u>352</u>	<u>227</u>
Deferred consideration (maximum)				
Shares	<u>650</u>	<u>100</u>	<u>-</u>	<u>850</u>

The deferred consideration is payable dependent on financial performance in 2005 and 2006.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

4. ACQUISITIONS (continued)

The financial performance of the businesses prior to acquisition is summarised below:

	Nine months ended 31 December 2004 The Recruitment Business	Year ended 31 July 2005 More Driving Limited	Eight months ended 31 August 2005 Skillhouse Staffing Solutions KK	Five months ended 30 November 2005 Monroe Group
	£'000	£'000	£'000	£'000
Turnover	2,622	1,241	668	2,084
Cost of sales	(1,741)	(958)	(368)	(1,295)
Gross profit	881	283	300	789
Administrative expenses	(625)	(329)	(429)	(897)
Operating profit/(loss)	256	(46)	(129)	(108)
Interest payable and similar charges	-	-	(8)	(108)
Other interest received and similar income	6	-	-	-
Profit/(loss) before taxation	262	(46)	(137)	(216)
Taxation	(75)	-	-	-
Profit/(loss) for the financial period	187	(46)	(137)	(216)

The accounts for The Recruitment Business Limited and More Driving Limited are the latest ones published.

More Driving Ltd was the only trading company in the More Consultancy Group Limited. The More Driving Limited accounts are draft.

As Skillhouse Staffing Solutions kk commenced trading in December 2004, there are no relevant comparative figures.

The figures for Monroe Group include one-off costs of £147,000. Prior to July, the Group operated through a different legal vehicle and no meaningful comparative figures are available.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £'000	2004 £'000
Directors' remuneration		
Emoluments for qualifying services (including bonus £30,000 (2004 - 17,500))	327	249
Company pension contributions to money purchase scheme	21	10
	<u>348</u>	<u>259</u>

The number of directors accruing benefits under money purchase pension scheme arrangements was two (2004 - two).

Empresaria Group PLC

Notes to the financial statements

Year ended 31 December 2005

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2005 £'000	2004 £'000
Highest paid director		
Remuneration (including bonus £20,000 (2004 - £10,000))	161	125
Pension contributions	13	5
	<u>174</u>	<u>130</u>
	No.	No.
Average monthly number of persons employed (including directors)		
Sales and distribution	310	200
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	7,851	8,693
Social security costs	746	783
Pension costs	30	25
	<u>8,627</u>	<u>9,501</u>

6. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is after charging:		
Depreciation of tangible assets – owned assets	262	272
Loss on sale of tangible fixed assets	65	-
Operating lease charges - land and buildings	756	816
Amortisation of goodwill	618	345
Exceptional write off of debts	-	135
Exceptional reorganisation costs	-	67
Exceptional legal and professional costs	-	101
Auditors' remuneration:		
Audit fees (company audit fee £23,000 (2004 £13,000))	80	50
Other services	126	30
	<u>126</u>	<u>30</u>

In 2004, in addition to the Auditor's remuneration charged to the profit and loss account the Group paid £195,000 to the group's auditors in connection with the transfer onto AiM and £29,000 for due diligence in connection with acquisitions made during the year.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
On amounts payable to factors	247	200
Bank loans and overdrafts	16	125
	<u>263</u>	<u>325</u>

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current tax		
United Kingdom corporation tax at 30% (2004 - 30%) based on the profit for the year	560	397
Adjustments in respect of prior periods	45	5
Total current tax	<u>605</u>	<u>402</u>
Deferred tax		
Timing differences, origination and reversal	121	(52)
	<u>726</u>	<u>350</u>

Factors affecting current tax charge for the year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% - (2004 - 30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	<u>1,607</u>	<u>742</u>
Tax on profit on ordinary activities at standard rate	482	223
Effects of:		
Disallowed expenses and non-taxable income	113	133
Capital allowances in excess of depreciation	10	26
Utilisation of tax losses	(39)	(101)
Movement in short term timing differences	-	46
Deferred tax asset not recognised in respect of losses	-	70
Other	(6)	-
Adjustments to tax charge in respect of previous periods	45	5
Total actual amount of current tax	<u>605</u>	<u>402</u>

No tax has been recognised in respect of overseas subsidiaries and associate as the directors believe there to be sufficient losses brought forward in each of the entities to fully offset any taxable profits arising in the period. No deferred tax has been recognised in respect of unrelieved losses at the year end in overseas entities as the Directors do not believe there is sufficient evidence that suitable profits will be earned in the foreseeable future.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

9. EQUITY DIVIDENDS PAID

	2005 £'000	2004 £'000 Restated
Dividend – 0.4p per ordinary share (2004 - 0.375p)	80	56

10. INTANGIBLE FIXED ASSETS

	Positive goodwill £'000	Negative Goodwill £'000	Total £'000
The Group			
Cost			
At 1 January 2005	5,749	(401)	5,348
Additions	3,763	-	3,763
At 31 December 2005	9,512	(401)	9,111
Amortisation			
At 1 January 2005	913	(401)	512
Charge for the year	618	-	618
At 31 December 2005	1,531	(401)	1,130
Net book value			
At 31 December 2005	7,981	-	7,981
At 31 December 2004	4,836	-	4,836

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

11. TANGIBLE FIXED ASSETS

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
The Group				
Cost				
At 1 January 2005	40	1,568	2	1,610
Acquisitions	-	167	-	167
Additions	-	413	-	413
Disposals	-	(73)	-	(73)
At 31 December 2005	40	2,075	2	2,117
Accumulated depreciation				
At 1 January 2005	21	1,304	1	1,326
Charge for the year	2	259	1	262
Disposals	-	(6)	-	(6)
At 31 December 2005	23	1,557	2	1,582
Net book value				
At 31 December 2005	17	518	-	535
At 31 December 2004	19	264	1	284
The Company				
Cost				
At 1 January 2005				147
Additions				10
At 31 December 2005				157
Accumulated depreciation				
At 1 January 2005				127
Charge for the year				21
At 31 December 2005				148
Net book value				
At 31 December 2005				9
At 31 December 2004				20

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

12. INVESTMENTS HELD AS FIXED ASSETS

The Group	Investment in associate £'000
Cost	145
At 1 January 2005	21
Additions	(145)
Transfer to subsidiary	—
At 31 December 2005	<u>21</u>
Share of profits retained	
Loss for the year	(44)
Losses for the year transferred to subsidiary	62
	<u>18</u>
Net book value	
At 31 December 2005	<u>39</u>
At 31 December 2004	<u>145</u>

The Company	Shares in associate £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2005	145	5,165	5,310
Additions	21	4,434	4,455
Reclassification to subsidiary undertaking	(145)	145	—
At 31 December 2005	<u>21</u>	<u>9,744</u>	<u>9,765</u>
Impairment			
At 1 January 2005	—	303	303
Impairment charge for the year	—	54	54
At 31 December 2005	<u>—</u>	<u>357</u>	<u>357</u>
Net book value			
At 31 December 2005	<u>21</u>	<u>9,387</u>	<u>9,408</u>
At 31 December 2004	<u>145</u>	<u>4,862</u>	<u>5,007</u>

The additions in shares in subsidiary undertakings during the year include further investment and acquisition of minority interests in existing subsidiary undertakings.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

12. INVESTMENTS HELD AS FIXED ASSETS (continued)

The company holds shares in the following principal subsidiary trading companies:

Company	Class of Share held	%	Nature of business	Country of registration
Financial Service Sector				
Mansion House Executive Limited	"A&B" Ordinary	100	Provision of staffing services	
Lindsey Morgan Associates Limited	"A" Ordinary	52	Provision of staffing services	
Lime Street Recruitment Limited	"A" Ordinary	69	Provision of staffing services	
Supply Chain Sector				
DriveLink Network Limited	"A&B" Ordinary	100	Provision of staffing services	
More Driving Limited	"A" Ordinary	66	Provision of staffing services	
MVP (Search & Selection) Limited	"A&B" Ordinary	67	Provision of staffing services	
Construction and Property Services Sector				
FastTrack Management Services (Midlands) Limited	"A" Ordinary	60	Provision of staffing services	
FastTrack Management Services (London) Limited	"A" Ordinary	66	Provision of staffing services	
TeamSales Limited	"A&B" Ordinary	90	Provision of staffing services	
Reflex HR Limited	"A" Ordinary	90	Provision of staffing services	
Public Services Sector				
Healthcare First Limited	"A" Ordinary	62	Provision of staffing services	
Social Work Associates Limited	"A" Ordinary	100	Provision of staffing services	
Specialist Brands Sector				
Greycoat Placements Limited	"A,B & C" Ordinary	82	Provision of staffing services	
Bar 2 Limited	"A&B" Ordinary	71	Payroll services	
Second City Resourcing Limited	"A" Ordinary	63	Provision of staffing services	
McCall Limited	"A" Ordinary	58	Provision of staffing services	
The Recruitment Business Limited	"A" Ordinary	65	Provision of staffing services	
International Businesses				
Skillhouse Staffing Solutions k.k.	Ordinary	90	Provision of staffing services	Japan
Monroe Consulting Group Pty Limited	Series A preference	60	Provision of staffing services	Australia

With the exception of the international businesses, all companies are incorporated in Great Britain and are registered in England and Wales. All companies operate in the Country of incorporation.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

13. DEBTORS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	7,740	6,782	-	-
Amounts owed by subsidiary undertakings	-	-	1,354	1,673
Other debtors	1,463	918	435	345
Prepayments and accrued income	966	628	236	125
	<u>10,169</u>	<u>8,328</u>	<u>2,025</u>	<u>2,143</u>

The trade debtors balance above includes factored or discounted debts of £5,911,000 (2004 - £5,345,000).

Amounts owed by subsidiary undertakings include amounts falling due after more than one year of £308,000 (2004 - £811,000).

Group

Included in other debtors is a deferred tax asset of £295,000 (2004 - £174,000) for the group. This comprises £110,000 (2004 - £103,000) in respect of timing differences arising on the excess of depreciation over capital allowances, and £185,000 (2004 - £71,000) in respect of trading losses and other short term timing differences.

Company

No deferred tax asset has been recognised in respect of unrelieved losses and short term timing differences at the year end in the individual company as the directors do not believe there is sufficient evidence that suitable profits will be earned in the foreseeable future.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005 £'000	2004 £'000 (Restated)	2005 £'000	2004 £'000 (Restated)
Bank loans and overdrafts (note 15)	225	239	2,022	239
Amounts owed to invoice discounters	3,302	2,700	-	-
Net obligations under finance lease and hire purchase contracts (note 15)	-	1	-	-
Trade creditors	812	385	160	533
Amounts-owed to subsidiary undertakings	-	-	675	673
Current corporation tax	711	242	-	-
Other taxes and social security	1,028	1,229	22	12
Other creditors	3,128	1,503	54	17
Accruals and deferred income	1,786	1,593	97	39
	<u>10,992</u>	<u>7,892</u>	<u>3,030</u>	<u>1,513</u>

Bank loans, overdrafts and amounts owed to invoice discounts are secured by a fixed charge over the book debts of the group and company.

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loans	1,325	1,549	1,325	1,549
Other creditors	124	120	4	-
	<u>1,449</u>	<u>1,669</u>	<u>1,329</u>	<u>1,549</u>

The bank loans are secured by a first fixed charge over all book and other debts given by the company and its subsidiaries. Interest is payable at 1.7% above HSBC plc base rate on £1,000,000 and interest is payable at 1.64% above HSBC plc base rate on the next £550,000.

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Net obligations under finance lease and hire purchase contracts				
All repayable within one year	-	1	-	-
Bank loan				
Repayable within one year	225	239	225	239
Repayable between one and two years	325	253	325	253
Repayable between two and five years	1,000	1,296	1,000	1,296
	<u>1,550</u>	<u>1,788</u>	<u>1,550</u>	<u>1,788</u>

16. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
60,000,000 (2004 -60,000,000) ordinary shares of 5p each	<u>3,000</u>	<u>3,000</u>
Called up, allotted and fully paid		
22,256,819 (2004 - 19,932,109) ordinary shares of 5p each	<u>1,113</u>	<u>997</u>

During the year ended 31 December 2005 the group issued a total of 2,324,710 ordinary shares for a premium of £1,475,000. Of the total premium, the company took advantage of the provisions of section 131, Companies Act 1985 concerning merger relief for £548,000. Accordingly, this amount has been taken to another reserve with the balance being included in share premium account (note 17).

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

17. STATEMENT OF MOVEMENT ON RESERVES

	Other reserves £'000	Share premium account £'000	Profit and loss account £'000
Group			
Balance at 1 January 2005 (as reported)	991	2,895	1,109
Adjustment in respect of proposed dividends (note 1)	-	-	80
Balance at 1 January 2005 (as restated)	991	2,895	1,189
Profit for the financial year	-	-	648
Dividend paid	-	-	(80)
Transfer to minority interests	-	-	(310)
On issue of shares in the year (note 16)	548	927	-
Balance at 31 December 2005	1,539	3,822	1,447
Company			
Balance at 1 January 2005 (as reported)	991	2,895	307
Adjustment in respect of proposed dividends	-	-	80
Balance at 1 January 2005 (as restated)	991	2,895	387
Profit for the year	-	-	302
Dividend paid	-	-	(80)
On issue of shares in the year (note 16)	548	927	-
Balance at 31 December 2005	1,539	3,822	609

Other reserves relate to premiums arising on shares issued subject to the provisions of section 131 "Merger relief" of the Companies Act 1985.

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	£'000	2005 £'000	£'000	2004 £'000
Group				
Profit for the financial year		648		223
Equity dividends paid		(80)		(56)
Transfer to minority interests		(310)		-
Net proceeds from issue of shares		1,591		2,464
Net addition to equity shareholders' funds		1,849		2,631
Opening equity shareholders' funds (as previously reported)	5,992		3,385	
Adjustment in respect of proposed dividends (note 1)	80		56	
Opening equity shareholders' funds (as restated)		6,072		3,441
Closing equity shareholders' funds		7,921		6,072

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Notes to the financial statements Year ended 31 December 2005

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS (continued)

	£'000	2005 £'000	£'000	2004 £'000
Company				
Profit for the financial year		302		258
Equity dividends paid		(80)		(56)
Net proceeds from issue of shares		1,591		2,464
		<u>1,813</u>		<u>2,666</u>
Net addition to equity shareholders' funds				
Opening equity shareholders' funds (as previously reported)	5,190		2,548	
Adjustments in respect of proposed dividends (note 1)	80		56	
		<u>5,270</u>		<u>2,604</u>
Opening equity shareholders' funds (as restated)				
Closing equity shareholders' funds		<u>7,083</u>		<u>5,270</u>

19. FINANCIAL COMMITMENTS

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	2004
	£'000	£'000
Leases which expire:		
Within one year	217	287
Within one to two years	111	110
Within two to five years	133	86
After more than five years	88	86
	<u>549</u>	<u>569</u>

20. CONTINGENT LIABILITIES

Cross guarantees exist in respect of bank loans and overdrafts between all of the group companies. Details of the exposure to bank loans are set out in note 15.

The company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of the proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

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Notes to the financial statements Year ended 31 December 2005

21. BASIC AND DILUTED EARNINGS PER SHARE

	2005 No.	2004 No.
Ordinary shares of 5 pence each (weighted average)	20,798,075	16,127,987
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	<u>648</u>	<u>223</u>

Based on current trading conditions, the directors are of the opinion that there would be no dilution to the earnings per share figure resulting from subsidiary minority shareholders trading up.

22. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £302,000 (2004 - £258,000).

23. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year, (2004 - Nil).

Intra group management charges and net interest charges, which have been removed on consolidation, amounted to £882,000 (2004 - £752,000) and £420,000 (2004 - £176,000) respectively.

On 19 September 2005, Empresaria Group Plc acquired Tony Martin's, the Group's Chairman, 50 per cent holding in Interim Management International Limited ("IMI") for a consideration of £345,000. The consideration was satisfied by the issue of 526,717 Empresaria ordinary shares of 5 pence each at price of 65.5 pence per share. The price per ordinary share is the average mid-market closing price of ordinary shares over the previous five business days. The acquisition took Empresaria Group Plc's holding in IMI to 100 per cent.

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's policy is to make use of short term borrowings for all working capital requirements before long term finance is considered, in order to minimise the cost of capital, and accordingly, the only financial instruments within the financial statements (short term debtors and creditors being excluded) are amounts advanced under factoring agreements, bank loans and loan stock.

Details of the bank loans and loan stock are given in note 15 to the financial statements and bank overdrafts and amounts advanced under factoring agreements are detailed in note 14 to the financial statements. There are no material differences between the carrying and fair values of the group's financial instruments.

The group at 31 December 2005 and 2004, has no monetary assets and liabilities that are not denominated in the operating (or functional) currency of the operating unit involved.

At 31 December 2005, the group had undrawn committed borrowing facilities (expiring within one year) of £1,250,000 (2004 - £1,250,000).

Empresaria Group PLC

Notes to the financial statements Year ended 31 December 2005

25. DIRECTORS' INTERESTS

In addition to the shareholdings in the company disclosed in the directors' report, N C Hall-Palmer had the following interests in subsidiary companies:

	Ordinary 'B' shares of 1p each		Deferred shares of £1 each	
	2005 No.	2004 No.	2005 No.	2004 No.
Lindsey Morgan Associates Limited	1,500	1,500	500	500
Social Work Associates Limited	-	250	-	-
MVP (Search & Selection) Limited	1,000	1,000	-	-
FastTrack Midlands Limited	500	500	-	-
Healthcare First Limited	485	485	-	-
Drivelink Network			400	-

26. POST BALANCE SHEET EVENTS

Following the end of the year, the Group acquired 60% of the share capital of Empresaria GIT Holdings Limited ("GIT"), a company with recruitment operations in the Czech Republic and Slovakia for an initial cash consideration of £90,000. Depending on the financial performance of the company in 2006, further consideration of £7,000 may be payable.

The Group also acquired, through a special purpose vehicle, from SSR Personnel Services its operating division providing staffing services in the UK public sector for an initial cash consideration of £350,000.

Empresaria Group PLC

Additional information Year ended 31 December 2005

The additional financial information on page 43 and 44 is provided in order to reconcile from statutory financial information to the adjusted results disclosed in the financial highlights section on page 2 and referred to in the Chairman and Chief Executive's Statement and the Financial Review. Whilst it has been prepared from the accounting records of the group, it does not form part of the audited financial statements.

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Additional information

Year ended 31 December 2005

Reconciliation of statutory financial information to adjusted information included within the financial highlights

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Operating profit	1,914	1,067	817	709	732
Add back:					
Goodwill amortisation	618	345	273	84	14
Exceptional legal and professional costs	-	101	45	134	-
Exceptional reorganisation costs	-	67	99	-	-
Exceptional bad debt write off	-	135	-	-	-
Exceptional write back of negative goodwill	-	-	-	-	(219)
Adjusted operating profit	2,532	1,715	1,234	927	527
Share of loss in associated company	(44)	-	-	-	(7)
Interest receivable and similar income	-	-	62	55	101
Interest payable and similar charges	(263)	(325)	(196)	(252)	(134)
Add back:					
Exceptional loss on deemed subsidiary disposal	-	-	13	100	-
Adjusted profit before tax	2,225	1,390	1,113	830	487
Taxation (*)	(770)	(427)	(319)	(248)	(158)
Minority interests (*)	(275)	(288)	(217)	(184)	(179)
Adjusted profit after tax and minority interests	1,180	675	577	398	150
Adjusted earnings per share (pence)	5.7	4.2	3.9	2.8	1.1

(*) – adjusted as necessary for tax and minority interest impact from goodwill amortisation and exceptional item adjustments.

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Additional information Year ended 31 December 2005

Reconciliation of statutory financial information to adjusted information included within the financial highlights

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Operating profit – continuing operations	1,914	1,246	1,039	793	1,096
Add back:					
Goodwill amortisation	618	345	273	84	14
Exceptional legal and professional costs	-	101	45	134	-
Exceptional reorganisation costs	-	44	-	-	-
Exceptional write back of negative goodwill	-	-	-	-	(219)
Adjusted operating profit – continuing operations	2,532	1,736	1,357	1,011	891
Share of loss in associated company	(44)	-	-	-	(7)
Interest receivable and similar income	-	-	62	55	71
Interest payable and similar charges	(263)	(263)	(187)	(229)	(109)
Add back:					
Exceptional loss on deemed subsidiary disposal	-	-	13	100	-
Adjusted profit before tax – continuing operations	2,225	1,473	1,245	937	846
Taxation (*)	(770)	(455)	(393)	(294)	(273)
Minority interests (*)	(275)	(288)	(217)	(184)	(223)
Adjusted profit after tax and minority interests – continuing operations	1,180	730	635	459	350
Adjusted earnings per share (pence) – continuing operations	5.7	4.5	4.3	3.3	2.6

(*) – adjusted as necessary for tax and minority interest impact from goodwill amortisation and exceptional item adjustments.